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**DeNUCCI SAYS MISMANAGEMENT CAUSES FINANCIAL
TROUBLES AT SPRINGFIELD CHARTER SCHOOL**

State Auditor Joe DeNucci today issued an audit disclosing financial mismanagement at the Robert M. Hughes Academy Charter School in Springfield. The audit findings included operating deficits, questionable lease payments, no-bid contracts, undocumented expenditures on building improvements, and possible conflicts of interest.

“I want to make it very clear that during this audit, we found that the teachers and staff at the Hughes Charter School were dedicated to helping students succeed,” said DeNucci. “Unfortunately, the school’s financial mismanagement has overshadowed its educational mission.”

DeNucci’s audit disclosed the following problems:

- **Deteriorating cash flow position, operating deficits for the last two years, and dwindling reserves.** The school’s cash flow position in two years declined by 78 percent (\$535,925 to \$120,371, including a \$248,000 line of credit.). Operating losses totaled \$364,238 during fiscal years 2003 and 2004, with a 51 percent decline in net assets.
- **\$279,055 in questionable lease payments to a related party.** The school overpaid \$55,886 in rent to School Street Properties, Inc (SSPI)., a related party which shares common trustees with the school. Additionally there was inadequate documentation to substantiate its monthly lease payments to SSPI, calling into question all of the \$279,055 in lease payments during the audit period. Also, a general contractor hired by SSPI failed to satisfactorily complete the work in order for the school to obtain a certificate of occupancy before occupying the building, as required by the Department of Education.
- **Questionable transfer of \$125,000 in state funds to the related party.** Although records indicated this money was used for building improvements., the school could not document the reason for this cash transfer, or how the related party used these funds.

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- **Possible violation of the state’s conflict of interest law by the school’s Chairperson and Treasurer.** The school purchased a \$150,000 certificate of deposit from a troubled credit union for which the school’s Chairperson also served as Chief Executive Officer and the school’s Board Treasurer also served as a Board of Directors member.
- **The purchase of \$116,357 in computer equipment without following competitive bid procedures.** The same vendor was used for virtually all of the school’s computer-related needs. Current and former school officials indicated the equipment was of inferior quality and required frequent repairs.
- **The awarding of \$240,187 in questionable consultant contracts.** These contracts were awarded without competitive bids, and without detailed agreements and documentation regarding costs and required services.

In other findings, DeNucci reported that the Hughes Charter School lacked adequate internal controls and adequate oversight by its Board of Trustees. Also, the school did not transfer employee withholdings to the Massachusetts Teachers’ Retirement System on a timely basis, resulting in a loss of potential interest income to the system and the unauthorized temporary use of employee retirement contributions.

DeNucci’s audit was conducted after his office learned of potential problems at the school, and also as a result of concerns by the state Department of Education (DOE). In February of 2004, the state Board of Education granted the school a conditional five-year renewal of its charter. One of the conditions was that the school cooperate with DeNucci’s office to “fully address” the concerns raised by DOE.

“The Hughes Charter School needs to strengthen its internal controls to better ensure effective and efficient management,” concluded DeNucci. “I hope the recommendations of this audit will lead to improvements in the school’s financial operations.”